

SPECIAL MEETING NORTH SMITHFIELD TOWN COUNCIL

OCTOBER 26, 2015

KENDALL-DEAN SCHOOL AUDITORIUM

7:00 P.M.

The meeting began at 7:04 P.M. with the prayer and the pledge to the flag.

Town Council members present: Ms. Alves, Mrs. Roseanne Nadeau, Mr. Soly, Mr. Zwolenski and Mr. Boucher. Also present were Town
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Administrator Hamilton, Town Solicitor Igliozzi and Finance Director Parmelee.

Budget Committee members present: Mr. Clifford, Mr. Ahern and Mr. Rapko.

School Committee members present: Mrs. Merrydythe Nadeau, Mr. Bassett and Mrs. Jalette. Also present was Attorney Scungio.

Public Building Improvement Committee members present: Mr. Cardello, Mr. Flaherty, Mr. Punchak and Mr. Allam. Mrs. Roseanne Nadeau, Mr. Bassett and Mr. Rapko are members of this committee as well.

Moderator for this meeting was Attorney Richard Nadeau, Jr.

1.) Update on Financial Forecast, Bond Timeline and Impact on the Tax Rates

Mr. Brian Ahern, a member of the Budget Committee, provided a slide presentation. The committee's objective is to provide sufficient data based on their studies to allow the various boards to make their best decisions in the interest of the taxpayers. He noted that almost eighty percent of the tax levy is attributed to property taxes. Going into 2016 tangible taxes increased but a decline is anticipated as a result of depreciation. Mr. Ahern spoke at length about the National Grid tangible values. He provided comparisons between a four percent or three percent tax levy with six bond timing scenarios.

It is the recommendation of the Budget Committee to consider a ten-year bond repayment schedule for all three bonds.

MOTION by Mr. Boucher, seconded by Mr. Zwolenski, and voted unanimously on a roll call vote to approve going forward with a ten-year bond repayment as recommended by the Budget Committee, the Finance Director and the Town Administrator based upon information provided by the Budget Committee this evening.

2.) May 5, 2015 Bacon & Edge Report - Recommendations and

Findings

There was no discussion on this.

3.) Halliwell Classroom Space Reconfiguration/Relocation as a Back-up Plan

Mrs. Merredythe Nadeau commented that voters were pretty clear last November that they wanted to see Halliwell School decommissioned especially with the possibility of \$12 million in repairs looming. In August the School Committee asked Superintendent of Schools Stephen Lindberg to work with the administrators to come up with a contingency plan for relocating students in the event of any emergency rather than investing in costly repairs. Mr. Lindberg was given until Thanksgiving to come up with a plan and the School Committee would then look at it at their December meeting.

Mr. Bassett had spoken with Mr. Lindberg today and right now his focus is on the Stage I application.

4.) RFP for Study/Proposal Regarding Capacity and Educational Programming Issues

The PBIC had recommended going forward with engaging a firm and the only one they are aware of is NESDEC to do a study as to what needs to be done to decommission Halliwell and provide guidelines

for educational programming issues addressing any RIDE concerns. The School Committee has come up with an RFP but don't know who to send it to other than NESDEC.

Mr. John Flaherty questioned whether NESDEC could dust off the 2009 report they had done and just update it.

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Mr. Joseph DaSilva of RIDE has stressed that they will not take just the architect's word. If reconfiguration plans are submitted based on Studio Meja's work, RIDE will just deny it.

5.) Status of RIDE School Projects Applications and Submission Dates

Mr. Art Bassett noted that RIDE has two programs, fast track and major. Fast track has a defined timeline. The Superintendent is working on the deadline for the Stage I application. The letters of intent for both timelines are in. Stage I is due on November 16, 2015 and Stage II is due on March 1, 2016 and the final decision will come about mid-May. Fast track only covers rehabilitation within an existing footprint. Mr. Bassett does not think the plan should be submitted piecemeal because he does not want to spend some money on things and then not have enough money for other things

such as extra classrooms or decommissioning Halliwell. The major project does not have a timeline.

6.) Policy Development for Use of School Department Fund Balance for High School Issues

Mr. Clifford questioned if the Budget Committee, as presented in their slides, should encourage the School Department to consider using \$1 million of the school fund balance to pay for the health and safety issues at the high school. What he does not want to see happen is using \$1 million of the bond money and then learn they still need that money for other things.

Mr. Nadeau suggested that the architect get better cost estimates before talking about taking money from the fund balance versus the bond. The town needs to know what it is really going to cost. Maybe the PBIC should be looking at this in conjunction with the school department going forward.

7.) Policy and Procedures for Use of Surplus/Carry Forward Funds

Mr. Scungio: I think the School Committee has the authority to spend any money that has been appropriated for school purposes if it's their surplus.

Mr. Nadeau: At any time in subsequent fiscal years?

Mr. Scungio: Probably at any time. The way I read the opinion letter from the Commissioner of Education more likely than not at any time, there hasn't been a decision on that particular statute. But when I read the surplus statute, and I read other cases, that leads me to believe it's very likely that surplus is within the jurisdiction of the school department. I think that what we do very often when we're focusing on who has authority it's like talking about whether or not there's Santa Claus as opposed to what the gifts are going to be under the tree and everyone might be better focused on the use of those funds because the School Committee may agree with the Town Council as to how those funds should be disposed going forward. That conversation might be a lot more fruitful than potentially arguing about who has the right to spend the money.

Mr. Boucher: Isn't there a state law that says that they can't overexpend their budget? And that if you take from surplus funds, you are exceeding the limit?

Mr. Clifford: The issue has to do with, it's called different things, some people refer to it as a carry forward surplus fund, some people refer to it as the fund balance of the school department, and you get a fund balance, you have that little bank account with extra money in it because in some years you might get more revenue than you anticipated and in some years you might have expenditures less than

what you anticipated. So at the end of the year, whatever you have left over goes into the fund balance. It wasn't the opinion of many parties, up until recently, that school districts could just spend that money without permission from the Town Council. That's a rather new opinion and as we get into the slides we'll show you where that came from. What the Budget Committee is most concerned about is if the School Department begins to spend money from the surplus fund

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balance, and there is a proposal currently before them that they spend \$400,000 I think it is of the surplus funds that they have, and let's just say as of last year it was \$688,000 or \$668,000 I believe in their fund balance, they're getting an extra \$830,000 because their surplus for this year is estimated to be around that so they'll have about a million and a half dollars in the fund balance once the auditor certifies that yes that is the surplus amount for this year. So now they have a one and a half million kitty . . . so the Budget Committee is concerned with how those funds are spent and that we follow the budget process outlined in the town Charter and that we make sure that we comply with all state laws. So the question is does the School Committee's use of surplus funds require Town Council authorization.

Mr. Clifford continued that there are a number of school districts that want to use some of their fund balance but they do it during the

budget process at the beginning of the year. He used the town of Jamestown as an example. When they proposed their budget for fiscal year 2015, they proposed to the Town Council that the town appropriation be x number of dollars and then they put in their budget proposal that they would reappropriate their fund balance to carry the expenses of the school department for the year. That's the way many districts do it.

Up until recently, and attorneys were giving the advice as well, that when you accepted your budget and adopted your budget, the appropriation had to match the expenditures and state law prohibits you from spending more than what the appropriation is. The appropriation is what the governing body sets.

Mr. Clifford suggested that everyone get together and develop a policy acceptable to all the parties similar to what is used in other school districts as to how and when that fund balance is going to be tapped and what is the process.

Mr. Scungio: The fact that other school districts ask that money be reappropriated and added to a budget is generally done because they want to try to increase maintenance of effort. So I'm not sure you want to put yourself in that position. Second the fact that a school committee does it, doesn't mean that they have to ask for permission.

It means that they are asking, sometimes in cooperation with the town hall to get that permission sometimes they don't. Then they

have to decide if they want to spend it. The third point that I wanted to make is, just so you understand, the legal argument is the funds have already been appropriated that's why they don't have to be reappropriated and that probably would be the winning argument in court if you ever went to court. But again we're spending time arguing about whether or not Santa Claus exists rather than discussing the presents under the tree. So the Council can certainly ask the School Committee to consider a policy. They would draft their own policy because they're a separate legal entity. Mike would be on the committee at that time. He could propose a policy and then you could move forward that way. I don't see that there's much to argue about.

8.) Status of Committed Fund Balance for Future Energy Bond Payments

In 2011 the Town, on behalf of the School Department, issued a \$3,550,000 bond. The bond proceeds were used for energy efficient saving renovations at various school facilities. Since the bond proceeds were used towards capital expenditures at the schools, the Rhode Island Department of Education, through its Housing Aid Program, is paying 39% of the annual bond payment. When the School and Town initiated the bond it was agreed upon at that time that the School would continue to budget utility costs at its 2009 rates. The energy savings were attested to by an independent third party company, Johnson Controls. The agreement called for the

School to reimburse the Town the cost of the bond payment from the energy cost savings recognized within the school budget each year for the term of the bond.

This reimbursement practice was eliminated in the fiscal year 2015 budget when the Town took over ownership of the bond.

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Monies that were left over from the Committed Utilities Fund were supposed to go to help out the paying party (the Town) for the years 2020 through 2026. As of the last audit report from June 2013, there was \$160,000 left in that account. After the School Department had already paid the bond payment in fiscal year 2014, it showed a bond balance of approximately that amount. The school department took the bond payment in 2014 out of their operating budget, which was the year they were given an additional \$240,000, and they ended up with a substantial surplus. In 2015 responsibility for the bond payment was transferred to the town but the school department has \$160,000 sitting in a fund balance and that is money that is supposed to be used to repay the bond in the upcoming years. That money was not given to the town for its repayment of the bond.

9.) Rental Revenue Uses and Policy

This will be put on a School Committee agenda.

MOTION by Mr. Zwolenski, seconded by Mr. Soly, and voted unanimously on an aye vote to adjourn at 9:20 P.M.

Respectfully submitted,

Debra A. Todd, Town Clerk